

Message Text

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ACTION XMB-07

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 OPIC-12 SPC-03 CIEP-02

LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08 CEA-02 INT-08

SCEM-02 FPC-01 EUR-25 DRC-01 /170 W

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P R 142015Z NOV 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 4287

INFO AMEMBASSY MONTEVIDEO

USDOC WASHDC

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DEPT PASS TO EXIMBANK

E.O. 11652: N/A

TAGS: BEXP, ENRG, AR, BBAK

SUBJ: SALTO GRANDE HYDROELECTRIC PROJECT - LATEST DEVELOPMENTS

REF: STATE 100002

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1. SUMMARY. BID DEADLINE FOR EQUIPMENT TENDER SALTO GRANDE HYDROELECTRIC PROJECT HAS BEEN SET FOR DECEMBER 15, 1973. BID SPECIFICATIONS RELATING TO FINANCING DESIRED BY MIXED TECHNICAL COMMISSION HAVE BEEN SIGNIFICANTLY AMENDED AND EXPORT-IMPORT BANK PRELIMINARY COMMITMENT WILL HAVE TO REFLECT CHANGES IF U.S. SUPPLIERS ARE TO REMAIN COMPETITIVE. TIME IS THE ESSENCE.

2. AS EXIMBANK KNOWS, PRELIMINARY COMMITMENT TO SALTO GRANDE MIXED TECHNICAL COMMISSION (CTM) FOR PURCHASE OF U.S. EQUIPMENT ORIGINALLY ISSUED JANUARY 5, 1973, EXPIRES DECEMBER 31, LIMITED OFFICIAL USE

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1973, AND ACCORDING TO LAST EXTENSION LETTER TO CTM FROM EXIM-

BANK, MUST BE RENEWED (AS OPPOSED TO EXTENDED) UNLESS FINANCING AGREEMENT CONCLUDED PRIOR THIS DATE.

3. FOLLOWING ASSUMPTION OF POWER OF PERON GOVERNMENT, KEY ARGENTINE LEADERSHIP AND STAFF ON CTM HAS BEEN LARGELY REPLACED IN EFFORT TO SPEED PACE OF PROGRESS OF PROJECT. NEW CTM COMMISSION HAS SET DECEMBER 15, 1973, AS DATE FOR OPENING OF BIDS FOR EQUIPMENT TENDER. (CONSTRUCTION BIDS DUE DECEMBER 29, 1973). GOA, AT LEAST, NOW APPEARS DETERMINED TO MOVE FORWARD WITH ALL POSSIBLE SPEED ON PROJECT.

4. AS IT IS OBVIOUSLY IMPOSSIBLE THAT AWARD WILL BE MADE PRIOR TO EXPIRATION OF PC, CTM IS TELEXING REQUEST FOR RENEWAL OF PC WITH MODIFICATIONS OF FINANCIAL TERMS RELATED DIRECTLY TO CHANGES IN BID SPECIFICATIONS WHICH MUST BE MET BY SUPPLIERS IN ORDER TO QUALIFY. NEW SPECIFICATIONS REQUIRE AMONG OTHER MATTERS THAT BIDDERS OFFER TWO EQUIPMENT PACKAGES, ONE INCLUDING 20 PERCENT OR MORE COMPONENTS OF LOCAL MANUFACTURE. ACCORDINGLY CTM HAS ASKED FOR FINANCING OF AT LEAST 90 PERCENT OF COST OF ERECTION AND SUPERVISION OF ERECTION OF BOTH EQUIPMENT TO BE IMPORTED AND EQUIPMENT TO BE PURCHASED LOCALLY. (CTM PLANS TO FINANCE EQUIPMENT PURCHASES IN ARGENTINA THRU BANCO NACIONAL DE DESARROLLO).

5. ADDITIONALLY SPECS CALL FOR REPAYMENT IN TWENTY SEMIANNUAL INSTALLMENTS (INCLUDING AMORTIZATION AND INTEREST) WITH PAYMENTS NOT TO BEGIN UNTIL AFTER THE INSTALLATION OF THE FIRST TWO TURBOGENERATORS. (PLEASE NOTE CTM DOES NOT WANT TO BEGIN REPAYMENT, INCLUDING REPAYMENT OF INTEREST, UNTIL FIRST TWO UNITS INSTALLED). REPAYMENT IS TO BE STAGGERED, BEGINNING ON EACH PAIR OF UNITS ONLY AFTER THEIR INSTALLATION IS COMPLETED.

6. SPECS ALSO CALL FOR INCLUSION OF FINANCING INSTITUTION COMMITMENT LETTER, AND AT A MINIMUM, THE CLAUSES IN THE LOAN AGREEMENT (CONTRACT) WHICH RELATE TO FINANCING AND REPAYMENT TERMS. (FYI: IN CONVERSATION WITH NEW CTM FINANCIAL DIRECTOR LEGIZA, EMBOFF INFORMED THEY WOULD PREFER TO HAVE COMPLETE TEXT OF EXIM LOAN CONTRACT IN ORDER TO MAKE PRIOR DETERMINATION AS TO ITS ACCEPTABILITY IN VIEW OF RECENT GOA DIFFICULTIES WITH CERTAIN CONDITIONS IN EXIM CONTRACTS.)

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7. ALLIS CHALMERS, ONE OF U.S. SUPPLIERS WHO ANTICIPATE BIDDING ON PROJECT, HAS APPROACHED EMBASSY WITH REQUEST THAT WE ADVISE EXIMBANK THAT OTHER POTENTIAL BIDDERS: THE CANADIANS, RUSSIANS, ITALIANS AND THE YUGOSLAVS HAVE OFFERED OR ARE INTENDING TO OFFER LOCAL COST FINANCING AS SPECIFIED IN PARA 3 ABOVE.

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8. EMBASSY HAS IN ITS POSSESSION A LETTER TO CONTRA-ALMIRANTE HORACIO RAUL COLOMBO, FORMER PRESIDENT OF THE COMITE OPERATIVO OF THE SALTO GRANDE MIXED COMMISSION, FROM V.L. CHAPIN, VICE PRESIDENT, EXPORT DEVELOPMENT CORPORATION OF CANADA, IN WHICH CANADIANS APPEAR TO HAVE COMMITTED THEMSELVES TO PROVIDING LOCAL COST FINANCING AS REQUESTED CTM. EMBASSY IS FORWARDING COPY OF LETTER AND RELEVANT RECENT ADDENDS TO SPECS TO EXIMBANK.

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9. BELIEVE WE WILL HAVE TO MOVE QUICKLY AND BE RESPONSIVE TO NEW SPECIFICATIONS IN ORDER TO REMAIN COMPETITIVE ON THIS PROJECT. BOTH SOVIETS AND ITALIANS HAVE BEEN MAKING HIGH LEVEL REPRESENTATIONS TO GOA OVER PAST FEW MONTHS TO OBTAIN AWARDS FOR EQUIPMENT AND CIVIL WORKS. U.S. EQUIPMENT SUPPLIERS (GENERAL ELECTRIC, WESTINGHOUSE AND ALLIS CHALMERS) BELIEVE SOVIET BID WILL BE PARTICULARLY COMPETITIVE AND IS LIKELY TO BE A PACKAGE INCLUDING EQUIPMENT AND CIVIL WORKS. IN THIS CONNECTION, U.S. SUPPLIER REPS HAVE ADVISED EMBASSY THAT SOME OF THEIR 3RD COUNTRY COMPETITORS (SOVIETS IN PARTICULAR) MAY OFFER LONGER TERM REPAYMENT PERIOD THAN MINIMUM SPECIFIED BY CTM (10 YEARS) AND HAVE EXPRESSED HOPE NEW EXIM PRELIMINARY COMMITMENT CAN BE FLEXIBLE ON THIS SCORE. ONE UNCONFIRMED REPORT HAS IT THAT CANADIANS WILL OFFER FIVE YEAR'S GRACE AND 15 YEAR REPAYMENT PERIOD, OR MATCH BEST OFFER.

10. PLEASE ADVISE EMBASSY ASAP IF EXIM HAS ANY QUESTIONS ABOUT LIMITED OFFICIAL USE

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NEW SPECS WHICH WE CAN PUT TO CTM OR ANY PROBLEMS IN MEETING THEM WHICH WE CAN DISCUSS WITH THEM. TIME ELEMENT IS BECOMING CRITICAL.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONSTRUCTION, CONSTRUCTION EQUIPMENT, HYDROELECTRIC POWER PLANTS, PROPOSALS (BID), DEVELOPMENT LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Unique ID: 00
Drafter: n/a
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Executive Order: N/A
Errors: N/A
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Review Date: 15 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15-Jan-2002 by shawdg>; APPROVED <06-Feb-2002 by golinofr>
Review Markings:

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US Department of State
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30 JUN 2005

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